GOVERNMENT OF INDIA
MINES AND MINERALS
LOK SABHA

UNSTARRED QUESTION NO:1364
ANSWERED ON:03.03.2000
FDI IN MINING SECTOR
V. SAROJA

Will the Minister of MINES AND MINERALS be pleased to state:

(a) whether the actual inflow of foreign direct investment in mining sector is very low in comparison to the proposal that has been cleared;

(b) if so, the details thereof and the reasons therefor;

(c) whether the Government have recently allowed 100 percent equity in mining sector;

(d) if so, the details thereof; and

(e) the impact on mining prospects as a result thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF MINES AND MINERALS

(SMT. RITA VERMA)

(a) & (b) Yes, Sir. The Foreign Investment Promotion Board (FIPB) has so far approved 60 applications for Foreign Direct Investment (FDI) in the mining sector amounting to about Rs. 3467 crores. The actual inflow in the mineral sector is around Rs. 80 crores.
Reasons for the low inflow is that mining involves a high risk, long gestation investment, and moreover, after obtaining FIPB approval, the parties are required to obtain Prospecting Licenses and Mining Leases from the respective State Governments before actual implementation of the Project, and this requires time.
(c) to (e) The Government has approved foreign equity holding upto 100%, on the automatic route for all minerals (except diamonds and precious stones). This covers exploration, mining, mineral processing and metallurgy. In the case of diamonds and precious stones, foreign equity upto 74% will be allowed on the automatic route for both exploration and mining operations. For proposals seeking higher than 74% foreign equity, the cases will have to come to the FIPB for approval.The Mines & Minerals [Development & Regulation] Act, 1957 has also been suitably amended and further powers have been delegated to the State Governments. These recent changes in the Act are expected to streamline the procedure for obtaining mineral concessions from the State Governments. They also provide adequate security of tenure to the investors. It is expected that these policy changes will lead to a faster growth and development of the Indian mineral sector, and also application of world class mining technology.